December 17, 2009

To: Jennifer Johnson/Secretary - Board of Governors of the Federal Reserve System

RE: Proposed Changes to Closed-End Mortgage Rules (Do9cket No R-1366)

Thank you for the opportunity to comment on the proposed rule amending Regulation Z with respect to closed-end mortgages. I am a loan originator working in Dallas, TX. Having witnessed first-hand the subprime mortgage meltdown, I agree that additional consumer protections in the residential mortgage loan process are needed. However, have some concerns with the proposals regarding the loan originator compensation.

My employer is a small to mid-sized lending institution. Our customers often present unique or complex circumstances that make processing their loan applications time consuming and difficult. I spend a great deal of time on these applications to ensure that they get the extra attention needed to insure that the application process goes smoothly. This level of attention is not always available at large national lending institutions that take a more "one size fits all" approach and focuses solely on volume and production.

In order to compensate me for the extra work entailed to obtain financing for these consumers, we sometimes need to charge a higher fee or a slightly higher interest rate. Often the borrower will prefer to pay a higher rate, either due to the fact that they do not have additional funds to bring to closing or they are already at the maximum loan to value limit.

If the proposed rule prevents my employer from paying adequate compensation for these loans, loan officers will be less inclined to take on the more complex loan applications. Instead, the focus till be on the straight-forward, conventional loan application that are less time consuming. The unfortunate consequence of this change in focus will be to make it even harder for may deserving consumers to obtain a mortgage loan, particularly those in underserved communities and/or small business owners.

If the Board adopts the proposed restrictions on loan originator compensation, the limits should apply only to the riskier products that were at the heart of the subprime meltdown. Conventional prime loans do not create the same potential for abuse, the Board should exclude these loans from the restrictions on the loan originators compensation and allow for pricing discretion in these loans.

Also, the SAFE Act requirements for loan originators, including extensive background checks and rigorous testing and continuing education requirements will significantly curb the past abuse that precipitated this proposal. The Board should wait to allow the SAFE Act a chance to work before piling on additional and burdensome regulations on the loan originator.

Once again, thank you for the opportunity to comment on the proposed rule.

Respectfully submitted,

Patricia Pullen